

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC COMPANY)	
)	
<hr style="width:50%; margin-left:0"/>)	CASE NO. 94-242
)	
ALLEGED FAILURE TO COMPLY WITH)	
COMMISSION REGULATIONS)	

O R D E R

On June 23, 1994, the Commission initiated this show cause proceeding against Louisville Gas and Electric Company ("LG&E") upon finding four probable violations of Commission regulations. The probable violations cited are as follows:

1. 807 KAR 5:022, Section 13(11)(a)(6), which prohibits any person from operating a pipeline at a pressure that exceeds the maximum safe pressure as determined by the operator;
2. 807 KAR 5:023, Section 5(2), which requires each employee whose performance was a contributing factor to an accident be administered a drug test within 32 hours;
3. 807 KAR 5:027, Section 3(1)(f), which requires a utility to provide telephonic notice to the Commission no later than two hours following discovery of an incident that causes the loss of a sizeable amount of gas; and
4. 807 KAR 5:006, Section 24(1), and 807 KAR 5:022, Section 1(7)(c), which requires the adoption and execution of a safety plan and an operating and maintenance plan, respectively.

The probable violations relate to a January 8, 1994 incident in Hodgenville, Kentucky, involving an LG&E employee who improperly closed a gas relief valve which had automatically opened to vent excess pressure in the Hodgenville gas supply line. As a result of the employee's improper action, the Hodgenville distribution system was significantly overpressurized, creating a highly potential explosive situation.

An informal conference was held with LG&E on July 21, 1994, at the Commission's offices in Frankfort, Kentucky. Discussions between LG&E and the Commission's Staff have resulted in the filing of a Stipulation of Facts and Agreement which includes the following salient points.

1. The operative facts consist of those set forth in the March 30, 1994 Staff Incident Report, pages 1-3, as supplemented by the additional facts recited in the Stipulation.
2. LG&E admits that two PSC regulations were violated: a) operating the Hodgenville gas system at a pressure in excess of the maximum allowable; and b) failing to timely administer a drug test within 32 hours to an employee whose performance was a contributing factor to an incident.
3. LG&E contests the Commission's finding of two other probable violations: a) the need to have notified the Commission by telephone within two hours of LG&E's

discovery of this incident; and b) LG&E's failure to execute its Emergency Plan.

4. LG&E agrees to pay a civil penalty in the amount of \$20,000 as a full and complete resolution of the two probable violations to which it has admitted and the two violations to which it does not admit.

In determining whether the results of the Stipulation of Facts and Agreement are in the public interest and are reasonable, the Commission has taken into consideration the comprehensive nature of the Stipulation of Facts and Agreement and the amount of the penalty to be paid. Based on the evidence of record and being advised, the Commission hereby finds that the Stipulation of Facts and Agreement is in accordance with the law and does not violate any regulatory principal. The Stipulation of Facts and Agreement is the product of serious arms-length negotiations among capable, knowledgeable participants, is in the public interest and results in a reasonable resolution of all issues and charges pending in this case.

IT IS THEREFORE ORDERED that:

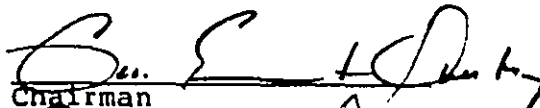
1. The Stipulation of Facts and Agreement, attached hereto and incorporated herein as Appendix A, be and it hereby is adopted and approved in its entirety as a complete resolution of all issues and charges in this case.

2. LG&E shall pay \$20,000 as a civil penalty within 10 days of the date of this Order by certified check or money order made payable to the Kentucky State Treasurer and mailed to the Office of


General Counsel, Public Service Commission, P. O. Box 615,
Frankfort, Kentucky 40602.

Done at Frankfort, Kentucky, this 4th day of November, 1994.

PUBLIC SERVICE COMMISSION

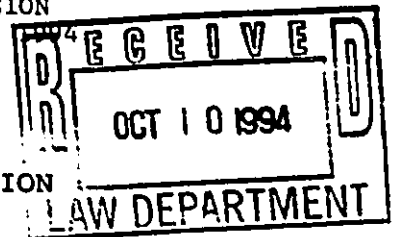

Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
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ALLEGED FAILURE TO COMPLY WITH COMMISSION REGULATIONS

CASE NO. 94-242

STIPULATION OF FACTS AND AGREEMENT

By its Order dated June 23, 1994, the Commission initiated this proceeding to determine whether Louisville Gas and Electric Company ("LG&E") should be subject to penalties prescribed in KRS 278.990 for the probable violations of 807 KAR 5:027, Section 3(1)(f); 807 KAR 5:022, Section 13(11)(a)(6); 807 KAR 5:006, Section 24(12); 807 KAR 5:022, Section 1(7)(c); and 807 KAR 5:023, Section 5(2). The Order arose out of an incident which occurred on January 8, 1994, during which a pilot supply restrictor on a regulator that supplies the LG&E gas distribution system serving Hodgenville, Kentucky, froze. The safety equipment at the facility operated properly and vented gas into the atmosphere. The first LG&E employee to arrive at the scene improperly, and contrary to LG&E's safety plan, closed the relief valve which stopped the venting of the gas and led to the overpressurization of the Hodgenville gas system. Pursuant to a subsequent Commission order, an informal conference between LG&E and the Commission Staff ("Staff") was held at the Commission's offices on July 21, 1994.

LG&E and the Staff have agreed that the Commission's determination in this proceeding is one which requires the application of the respective administrative regulations to the facts, and that the facts regarding the incident are not in dispute. LG&E and the Staff submit the following agreement for the Commission's consideration in rendering its decision in this proceeding.

1. The material on pages one through three, up to but not including the section entitled "Findings" in the Incident Report, attached as Appendix A to the Commission's June 23, 1994 Order, correctly presents the relevant facts, except as supplemented herein.

2. The following supplemental facts should be considered by the Commission:

a. The regulator had the ability to vent approximately 153 MCF/hour and venting occurred for approximately 9 hours. Based upon the capacity of the regulator and the estimated system load, it is doubtful that the regulator was wide open when the pilot restrictor froze. Therefore, the total amount of gas lost through the relief valve is estimated to be 900-1,000 MCF over the 9 hour period.

b. The employee who erroneously closed the relief valve on January 8, 1994 had been trained in the proper procedures to follow in that situation and

those procedures are fully set out in LG&E's Emergency Plan.

- c. The leak survey performed on the Hodgenville Gas system by LG&E immediately after the incident revealed 87 leaks in customer and company facilities. Periodic leak surveys are performed on three year cycles. The last periodic leak survey in Hodgenville was performed in 1992 and revealed 108 leaks.
- d. LG&E offered to pay customers in Hodgenville one-half of the cost of replacing customer service lines that the leak survey showed to be in need of repair. Of the 63 customers who received this offer, all but 3 accepted. The cost to LG&E of paying one-half of the repair or replacement work totalled approximately \$7,000.
- e. The employee who erroneously closed the relief valve was disciplined in accordance with the Union rules. Furthermore, management in the gas department conducted special training sessions with all employees who respond to gas trouble calls to reinforce the provisions of the Emergency Plan dealing with blowing relief valves. In addition, management received reminders regarding the importance of the Commission's drug testing regulation and the need to conduct testing in any

situation which may come under the Commission's regulations.

3. As a result of its investigation, the Staff concluded that probable cause exists to believe that LG&E committed four violations of the Commission's regulations as set forth in the "Findings" section of the Incident Report. LG&E concedes that during the course of the incident under investigation, two violations were committed: 1) operating the Hodgenville gas system at a pressure in excess of the maximum allowable operating pressure, 807 KAR 5:022, Section 13(11)(a)(6); and 2) failing to timely administer a drug test, 807 KAR 5:023, Section 5(2). However, LG&E does not believe that it violated the regulations requiring: 1) telephonic notice to the Commission within two hours of discovery of an incident that causes the loss of a sizeable amount of gas, 807 KAR 5:027, Section 3(1)(f); and 2) execution of Section 4.1.5 of its Emergency Plan, 807 KAR 5:006, Section 24(1) and 807 KAR 5:022, Section 1(7)(c).

4. LG&E maintains that no telephonic notice was required because a sizeable amount of gas was not lost during the incident. The regulation does not define the term which, LG&E believes, leaves responsibility for its operational definition with the utility. Under the circumstances, such as the estimated amount that was lost compared to the amount carried by LG&E's system, the size of the pipe involved and the location of the facility, LG&E personnel did not consider the amount of gas lost to be "sizeable" for Commission notification purposes. Staff, however, takes the

position that the release of approximately 100 MCF/hour is a sizeable loss based on the estimated total consumption on the Hodgenville gas system of 50 MCF/hour during that time and the creation of an explosive atmosphere.

5. The Emergency Plan fully anticipated the situation faced by the employee in this incident, and provided the employee with complete and proper instructions on what should be done. Further, this employee, as well as all other employees who answer trouble calls, received specific instruction in how to deal with the very situation presented by this incident. LG&E believes that it properly prepared its Emergency Plan and properly instructed its employees on its implementation. LG&E maintains that all it can do to implement its Plan is to ensure that the Plan is complete, adequate and taught to its employees, and such was done in this instance. LG&E states that the only failure was of the employee to follow the Emergency Plan and his instructions. The failure by a properly-trained employee to follow the Plan should, in LG&E's view, not be interpreted to be a failure by LG&E to implement its Plan.


The Staff asserts that 807 KAR 5:006, Section 24(1), requires a utility to both adopt and execute a safety plan. Although LG&E's Emergency Plan satisfies the requirement to adopt a safety plan, there is a failure to execute the plan whenever its provisions are not followed. In this instance, an LG&E employee failed to adhere to the Emergency Plan, resulting in a failure to execute such plan.


6. LG&E agrees to pay the amount of \$20,000 (Twenty Thousand Dollars) as a civil penalty in full settlement of this proceeding. Neither this payment, nor any other agreement contained in this Stipulation of Facts and Agreement, shall constitute an admission by LG&E that it has violated any section of the Commission's regulations other than those to which it has specifically admitted to, as set forth in paragraph three herein. Furthermore, the Staff agrees that it shall not recommend to the Commission that it find that the facts contained in the Staff Report support a finding that LG&E violated any section of the Commission's regulations other than that admitted to by LG&E, as set forth in paragraph three herein.

7. The Staff and LG&E agree that if this Stipulation of Facts and Agreement is not adopted by the Commission in its entirety, the Staff and LG&E reserve their rights to withdraw from this Stipulation of Facts and Agreement and require that a hearing be held on any and all matters involved herein. In such an event, LG&E and the Staff agree that the contents of this Stipulation of Facts and Agreement shall not be deemed binding upon the parties hereto, and cannot be used as admission by either party in any forum.

8. The Staff and LG&E agree that the foregoing Stipulation of Facts and Agreement is reasonable, is in the public interest, and should be adopted in its entirety by the Commission, and if so

adopted, no petition for rehearing or judicial appeal will be filed by LG&E.


Richard G. Raff
Counsel for the Staff of the
Kentucky Public Service Commission


Douglas M. Brooks
Counsel for Louisville Gas and
Electric Company

Date: October 12, 1994

Date: 10/10/94